

March 7, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 05-86-E

Dear Secretary Cottrell:

In compliance with the Department's February 28, 2006 order in D.T.E. 05-86, I am enclosing for filing redlined and clean versions of the Residential Assistance Adjustment Factor that Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid propose to use to recover the incremental costs associated with National Grid's arrearage management plan filed with the Department on December 29, 2005.

Thank you very much for your time and attention to this matter.

Very truly yours,


Amy G. Rabinowitz

cc: Service List

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
RESIDENTIAL ASSISTANCE ADJUSTMENT PROVISION

The prices for Retail Delivery Service contained in all the rate schedules of the Company are subject to adjustment to reflect the recovery of lost revenue associated with net incremental customers receiving retail delivery service under Rate R-2 pursuant to the Department of Telecommunications and Energy's ("Department") order in D.T.E. 01-106-C, and incremental costs associated with the operation of the Company's Arrearage Management Program ("AMP") offered to qualifying customers pursuant to the Department's order in D.T.E. 05-86.

On an annual basis, the Company shall estimate lost revenue as the difference between the discount provided ("baseline amount") to Rate R-2 customers for the twelve month period July 2004 through June 2005 (the "baseline period") and the discount provided to Rate R-2 customers for the current twelve month period. In addition, the Company shall estimate annual incremental costs associated with the operation of its AMP. This estimate of lost revenue and incremental costs shall be used to determine the amount to be reflected on a per kilowatt-hour basis in retail delivery service rates on a prospective basis. Such per kWh charge is referred to as the Residential Assistance Adjustment Factor. Notwithstanding the foregoing, during the first year of the operation of the AMP, the Residential Assistance Adjustment Factor shall not include recovery of estimated annual incremental costs associated with the AMP. The actual incremental costs associated with the operation of the AMP during the first year of its operation shall be included in the calculation of the Residential Assistance Adjustment Factor to be in effect in the subsequent year.

The baseline amount associated with lost revenue shall be calculated by multiplying the monthly billing units for the baseline period by the difference between the Regular Residential Rate R-1 ("Rate R-1") customer charge and distribution energy charge and the Rate R-2 customer charge and distribution energy charge in effect during the baseline period.

The current period discount shall be estimated based on a projection of the monthly billing units for the annual periods subsequent to the baseline period multiplied by the difference between the Rate R-1 customer charge and distribution energy charge and the Rate R-2 customer charge and distribution energy charge in effect at the time of the estimate.

The estimate of the current period discount shall be subject to reconciliation against the actual discount provided during the twelve month period, and any over- or under-estimate of the actual discount provided shall be reflected in a subsequent Residential Assistance Adjustment Factor. The actual discount provided shall be calculated by multiplying the monthly billing units during the current period by the difference between the Rate R-1 customer charge and distribution energy charge and the Rate R-2 customer charge and distribution energy charge in effect during each month.

The estimated annual incremental costs associated with the operation of the AMP, and actual annual incremental costs associated with the first year of the operation of the AMP, shall

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include arrears balances forgiven by the Company, retroactive bill credits provided to customers originally billed on Rate R-1 but who would have qualified and continue to qualify for Rate R-2 as substantiated by Community Action Program ("CAP") agencies, and CAP agencies' program support costs billed to the Company by the CAPs.

In addition, the revenue billed through the Residential Assistance Adjustment Factor shall be subject to reconciliation against the actual discount provided and incremental costs associated with the AMP during the twelve month period for which the Residential Assistance Adjustment Factor is applicable, and any over- or under-recovery of the actual discount provided and incremental costs associated with the AMP shall be reflected in a subsequent Residential Assistance Adjustment Factor. The actual revenue billed through the Residential Assistance Adjustment Factor shall be calculated as the Residential Assistance Adjustment Factor in effect multiplied by the kWh deliveries subject to the Residential Assistance Adjustment Factor.

For purposes of the above reconciliations, the Company shall accumulate the actual discounts provided to Rate R-2 customers in excess of the baseline amount, the incremental costs associated with the AMP, and the revenue billed under the Residential Assistance Adjustment Factor and shall accrue interest on the difference between these amounts at the Prime rate on a monthly basis.

Should any balance remain outstanding subsequent to the recovery of the increased discount and incremental costs associated with the AMP above the baseline amount and estimated costs as described above, the Company shall reflect as an adjustment in the current period the amount of the outstanding balance.

In no event shall the Company implement a Residential Assistance Adjustment Factor that is a credit.

Each adjustment of the prices under the Company's applicable rates shall be in accordance with a notice filed with the Department setting forth the amount of the increase or decrease and the new Residential Assistance Adjustment Factor amount. The notice shall further specify the effective date of such adjustment, which shall not be earlier than thirty days after the filing of the notice, or such other date as the Department may authorize.

This provision is applicable to all Retail Delivery Service rates of the Company. The operation of this Residential Assistance Adjustment clause is subject to Chapter 164 of the General Laws.

Effective March 1, 2006

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Effective March 1, 2006

Deleted: November 1, 2005